

February 3, 1998

TO ALL INTERESTED PARTIES:

The IRS is pleased to issue the final Electronic Tax Administration Request for Proposal. We would like to extend our appreciation to those companies and organizations who provided comments on the draft RFP. This RFP differs from the draft in the following ways:

- We have indefinitely deferred Approach 1, Contract for Volume Increases Using Current ETA Systems. Industry comments raised sufficient doubt about both the cost effectiveness and administrability of this approach in expanding electronic filing volumes. Industry feedback suggested that the IRS should invest first in correcting systemic deficiencies, introducing new products and services, and engage in aggressive national marketing before engaging in direct cash subsidies to the private sector. We have, therefore, chosen not to pursue the approach at this time.
- We issued Approach 2, Non-Monetary Agreements for Increased Volumes, on November 26, 1997, two months ahead of schedule, as a Request for Agreements (RFA) for 1998 and 1999, with one year options. We issued the RFA early in response to a number of companies' expressed interest to include the 1998 filing season. Originally, we were only targeting 1999 and beyond.
- We have expanded Approach 3, Systems Enhancements/Modifications beyond the individual return program (Form 1040 series), to include additional existing Electronic Tax Administration programs -
 - Form 941, Employer's Quarterly Federal Tax Return;
 - Form 1041, U.S. Income Tax Return for Estates and Trusts and Schedules K-1 (Form 1041), Beneficiary's Share of Income, Deductions Credits, etc.;
 - and,
 - Form 1065, U.S. Partnership Return of Income and Schedule K-1 (Form 1065), Partner's Share of Income, Credits, Deductions, etc..
- While we have expanded the scope of the RFP to cover additional ETA programs, we have limited the scope to pilot efforts. As stated in the draft RFP, we want to give industry an opportunity to provide us with the best solutions they can imagine to help us meet our objective of promoting and sustaining increases in electronic transmission volumes through enhancements to electronic filing and related applications. To give offerors wide latitude in proposing creative solutions, we have minimized the specifications identified in the Statement of Work. The presence of such specificity at this point might have committed both the IRS and offerors to procedural and system changes that are unproven in the marketplace to motivate individuals to file electronically. Therefore, the use of pilots is a risk mitigation strategy. The success of the pilot(s) will determine the expansion or roll-out strategy for procedural and system changes.

- We have focused on customer satisfaction, including that of taxpayers and practitioners, as an evaluation criterion in lieu of volume increases. A number of companies indicated in their comments that they cannot predict the direct impact on volume due to a particular enhancement or set of enhancements. In addition, we have eliminated return on investment as an evaluation criterion because we have rescoped the RFP, limiting it to proposals on pilots.

The draft RFP included only individual returns and while we have expanded the final RFP to include additional electronic tax administration programs, we have not included two programs that have electronic filing systems. These include Information Returns and the Form 5500 series, Annual Return/Report of Employee Benefit Plan and Information returns (statements for recipients of payments such as interest and dividends). Regarding information returns, the IRS already receives approximately 93% of the information returns on magnetic media and is in the process of converting those filings from magnetic media to electronic transmissions. Moving these returns from magnetic media to electronic transmissions does not require the level of creativity requested of offerors in this RFP, so the information return program will be treated separately. The Form 5500 program is included in an RFP released by the Department of Labor. Interested parties can find the Department of Labor RFP on the World Wide Web at dol.gov/dol/pwba/public/whatsnew/efast1.pdf.

The IRS has plans for the development and delivery of other electronic tax administration programs that have not been addressed in this RFP such as Form 1120, (Corporate Returns) and Form 990 (Exempt Organizations). However, these programs will require further analysis of the current manual processes before we examine alternatives for receiving them electronically. The IRS will continue to partner with industry to develop and deliver these programs, and at least for the initial analyses, will explore using Treasury and IRS procurement vehicles such as the Treasury Information Processing Support Services (TIPSS).

Prospective offerors for this RFP may also be interested in responding to the current RFA for non-monetary agreements for the 1999 filing season. Those proposals are due by February 17, 1998. The IRS will award agreements that result from the RFA before any contracts are entered into from this RFP.

The anticipated result of this RFP is a "commercial item" acquisition of services for performing pilot ETA solutions. Please be certain to carefully examine the "Statement of Work" in the RFP's Section C.2 and the proposal instructions and evaluation criteria in Section E. If there are any questions, please feel free to call the undersigned Contracting Officer on (202) 283-1411 or e-mail at "jeffrey.petrino@ccmail.irs.gov."

A two-hour pre-proposal conference for all interested parties will be held on February 12, 1998, at 1:00 p.m. in the New Carrollton Federal Building auditorium, New Carrollton, MD. Please e-mail Brett Blake at "brett.l.blake@ccmail.irs.gov" to make a reservation. We ask that each company limit itself to two attendees.

We look forward to receiving your response and appreciate your interest in the IRS's Electronic Tax Administration Program.

Jeffrey Petrino
Contracting Officer